

# DOES CEO FOUNDING STATUS MATTER? A STUDY OF CEO PERSONALITY AND BEHAVIOR

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International Business  
Bachelor's Thesis  
Supervisor: Tamar Almor  
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### Objectives

The main objective of this study was to test whether a CEO's founding status (founder versus non-founder of their company) is related to CEO personality traits and leadership behavior when tested as quantitative self-assessment. In addition to this general inquiry, another objective was to examine whether there is a significant or noticeable connection between a CEO's personality and behavior when tested in light of founding status.

### Summary

This thesis researches the effect of CEO founding status on CEO characteristics. Specifically, Finnish CEOs' personality and leadership behavior are studied using a self-administered questionnaire. The Big Five personality traits and Blake and Mouton managerial grid are used to create different leadership profiles for founder and non-founder CEOs.

### Conclusions

Based on quantitative analysis, a CEO's founding status has a small to moderate effect on CEO personality, and a small effect on CEO behavior. Founder-CEOs are found to be more extraverted and less emotionally stable than non-founder CEOs. Both types of CEOs have a similar leadership style, which is characterized by simultaneous people and task-orientation, although founder-CEOs rate themselves slightly higher in this category. No connection between these separate findings can be established in this study. Overall, this research offers strategic insight into CEO selection and succession planning.

**Key words:** founding status, CEO, Big Five, personality traits, leadership behavior, leadership style

**Language:** English

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# **1. INTRODUCTION**

## **1.1 Background**

Chief Executive Officers (CEOs) play an important role in shaping and directing the companies for which they work. CEOs, who are also the founders of their company, have a particularly strong imprint on the culture and success of their organizations. These founder CEOs have been called, for example, organizational architects (Nelson, 2003). Thus, it is of both academic and professional interest to try to understand CEOs – both founders and non-founders – better in order to understand and predict their behavior in the context of their leadership positions.

Effective leadership styles and behavior is a widely studied field of business. And it is no wonder, since many researchers agree that leadership is tightly connected to firm performance (e.g. Wang et al., 2011; Taylor et al., 2014; Hartnell et al., 2016). Hooijberg and Quinn (1992) cited in Wang et al. (2011: 94) claimed that leaders are both cognitively and behaviorally complex, meaning that leaders can wear many hats and exhibit many skills in a way that leads to effective behavior.

Indeed, there is not one correct way to lead people and organizations, but leadership is rather a combination of factors such as experience, skills, knowledge, personality, and behavior. This suggests that every leader can be slightly different from the next one. In his exploratory article “Effective leadership behavior: What we know and what questions need more attention”, Yukl (2012: 66) describes leadership as follows:

The essence of leadership in organizations is influencing and facilitating individual and collective efforts to accomplish shared objectives. Leaders can improve the performance of a team or organization by influencing the processes that determine performance.

Effective leadership, in turn, could be described as the positive effect that a CEO ends up having on their organization (the ‘CEO effect’).

Since leadership behavior is a widely studied area of CEO studies, and since every leader is different, this thesis sheds light on how leadership differs in founder CEOs and non-founder CEOs. This line of inquiry is essential to understanding business nowadays, as founder CEOs provide another interesting viewpoint to business, entrepreneurship. Entrepreneurship is one major difference between founder and non-founder CEOs. Entrepreneurship is a trendy endeavor, and it is widely celebrated in industrious start-up communities. Entrepreneurship also naturally increases the amount of founder CEOs in the workforce, which further calls attention to the differences between professional and non-professional CEOs.

This thesis will look at CEOs of small to medium enterprises (SMEs) for two distinct reasons. Firstly, most new business ventures start out as micro-enterprises, meaning they are created with less than ten employees (OECD 2017: 72). In Finland, the average size of a new enterprise is eight employees (ibid: 77). On average, 99.81 percent of all businesses in the EU are considered small to medium enterprises (European Commission, 2017). In Finland, the percentage is 99.74. The European Commission defines a small to medium enterprise as one that has fewer than 250 employees or less than 50 million euros in revenue (European Commission, n.d., see *Definitions of SMEs* in Appendix 1). In addition to the vast amount of these businesses, both the number of people employed in SMEs and their value added are on the rise, as can be seen on graphs prepared by the European Commission (Appendices 2 and 3).

The second rationale for studying the CEOs of SMEs is that it is in structurally less complex organizations where CEOs have more discretion over what the effects of their leadership behavior are (e.g. Hambrick and Finkelstein (1987) cited in Agle et al. (2006: 169) and Ling et al. (2008: 924)). Studying leadership behavior SMEs will thus provide leaders and strategists with practical information about how different executives possibly run their companies.

## **1.2 Research Problem**

CEOs have been credited to be responsible for at least 20 percent of their companies' success (e.g. Quigley and Hambrick 2015). How much of this is due to leadership behavior and personality is uncertain. Nonetheless, CEO behavior and characteristics have been linked to firm performance which suggests that behavior and personality also correlate with success. The differences between founder and non-founder CEOs remains even more obscure, as there have not been many studies that take into consideration founding status when exploring leader's behavior and effect in their workplaces.

As OECD (2017) states in its recent report on entrepreneurship, "the death of enterprises is an integral part of the phenomenon of entrepreneurship" (p. 78). In Finland specifically, around 75 percent of employer enterprises survive their first year in business (p. 87), which is among the lowest survival rates among OECD member countries. If a Finnish company survives its first year, it typically also grows by 1 to 2 employees by its second survival year (p. 88).

These statistics act as a reminder that running a business is a risky endeavor. That is why understanding the factors that go into successful businesses is crucial in an economy where the clear majority of businesses are relatively small employer enterprises. Although this thesis does not aim to explain how founding status and leadership behavior affect the outcome of business operations in SMEs, it does help narrow the research gap in understanding what leadership behaviors and personality traits CEOs exhibit as leaders, and how founding status may affect an executive's behavior at work.

## **1.3 Research Objectives**

The overall research objectives of this thesis are the following:

1. To find out whether CEOs' founding status as an independent variable has an effect on the way CEOs self-assess their personality traits.



2. To find out whether CEO founding status as an independent variable has an effect on the way CEOs self-assess their leadership behavior.
3. To examine and outline differences between the personality and leadership behavior of founder CEOs and non-founder CEOs, and whether personality is connected to behavior when both are tested through the lens of founding status.

The first and second research objectives are exploratory ones – they aim is to see if there is a correlation between the founding status of a leader and his/her personality, and whether founding status is related in any way to self-reported behavior. The context for both objectives is the same; Finnish CEOs working in small to medium enterprises.

The third objective is to examine the extent to which the possible differences in personality and behavior pertain to founder and non-founder CEOs. This objective seeks to create leader profiles for CEOs based on their founding status. The profiles entail behavioral and personality characteristics, and they make use of the theories of the managerial grid model (by Blake and Mouton, 1964) and the Big Five personality traits, or the five-factor model (FFM), commonly used in both personality and CEO studies.

## **1.4 Research Questions**

This thesis aims to answer the following questions:

1. Is there a correlation between CEO founding status and CEOs' personality traits?
2. How does leadership behavior change with CEO founding status?
3. Do CEOs' personality traits support the changes or differences in behavior caused by CEO founding status as the independent?

In order to answer these questions, a literature review and quantitative analysis of CEOs' self-assessment will be presented in this thesis. With this combination of primary and secondary data collection, this thesis aims to provide novel and meaningful answers to the research questions. While there are no specific hypotheses that will be statically tested

in this thesis, the general hypothesis is that CEO founding status is related to how CEOs assess their own personality and behavior.

## **2. LITERATURE REVIEW**

### **2.1 Introduction and Background of CEO Studies**

The purpose of this literature review is to examine and comment on existing literature that combines three elements quintessential to CEO studies: CEO founding status, leadership and behavior, and CEO personality. In merging these themes, this literature review aims to pinpoint the different behavioral factors that go into the CEO effect (i.e. effective leadership) while differentiating between founder and non-founder chief executive officers. These perspectives will be investigated through the lenses of organizational culture and effectiveness.

Yukl (2012: 68), in an attempt to map out the current research field, suggests that leadership behavior could be summarized into four categories: task-oriented, relations-oriented, change-oriented, and external, which all aim for performance, albeit in different ways. Task-oriented behaviors focus on efficiency and reliability, relations-oriented on human resources and human capital within an organization, change-oriented behaviors focus on innovation and learning, and external ones on representing the organization's interests for outside stakeholders.

Yukl (2012) also points out that leadership has historically been studied and categorized differently; one of the most traditional taxonomies consists of task-oriented and relations-oriented behavior, while theories of transactional, transformational, charismatic, servant, and other behaviors have been studied increasingly since the 1980s. Much of the more modern research into the topic has built on Hambrick and Mason's (1984) upper echelon theory, which suggests that the answer to "Why do organizations act as they do?" (p. 193) can be found in the study of managerial backgrounds, for example in age, functional

experiences, formal education, socioeconomic background, and financial position. The role of leaders in organizational behavior has, therefore, been in the exploratory spotlight for decades.

One of the key takeaways from Yukl's (2012) observations is a need for future research to better understand the conditions of leadership behavior. Among other things, he recommends more inquiry into how well leadership theory and practice are used, who uses them, and what is the context for their use. He also calls attention to the fact that behavior is different from personality and skills, but that using these constructs together, future research could attempt to explain how a leader's influence as a whole affects an organization's and its parts' performance.

Inspired by the research gap presented by Yukl (2012), the focus of this literature review will thus be on who it is that engages in leadership behavior, and what are some contextual differences related to different leaders. Consequently, this review will attempt to shed light on how CEO founding status (founder CEO vs. non-founder CEO) affects organizations from within. All chief executive officers can be divided into two categories: founder CEOs and non-founder CEOs. A founder CEO is an executive who also started his/her company - in other words he/she is an entrepreneur. A non-founder CEO is commonly described as a professional CEO (e.g. He, 2008; Adams et al., 2009; Abebe & Alvarado, 2013), as he/she has been hired to take charge of the company after someone else has founded it.

The study of this dichotomy of chief executive officers is meaningful due to the different characteristics that founder versus non-founder CEOs bring to an organization, or in other words their differing CEO effects. A founder's effect on an organization has been studied extensively enough to pinpoint some of founders' unique characteristics as CEOs (e.g. Nelson, 2003; Wasserman, 2008; Abebe & Alvarado, 2013). Researchers seem to agree that founder CEOs are characterized, in a way that is different from non-founder executives, by their personal commitment, ownership, extended identity, beliefs, and vision, as well as their role as organizational architects in creating a culture and organizational identity.

These internal organizational factors (including organizational culture, identity and organizational effectiveness) have been linked to firm performance as a result from leadership (e.g. Ling et al., 2008; Wang et al., 2011; Peterson et al., 2012; Hartnell et al., 2016). These studies do not always test for the effect of founding status, but some encouraging results have been reported (e.g. Bass & Avolio, 1993; He 2008; Peterson et al., 2012), stating, for example, that some leadership behavior may be more effective when the leader in question is a founder-CEO, as opposed to a non-founder CEO (Ling et al., 2008). Thus, this literature review calls for more research into how leadership behaviors differ based on a CEO's founding status, and whether these differences affect organizational effectiveness as an extension of organizational culture created and maintained by a chief executive officer.

One practical implication of this area of study could be to recognize why some organizations fail when others succeed. As Hogan and Coote (2012: 1618) note, "[O]rganizations are social as well as physical constructions and therefore an understanding of organizational culture can help to shape the process of innovation and firm performance". Hogan and Coote list norms, values, artifacts and behavior as some of the elements of organizational culture.

Organizational behavior or culture is not arbitrary, but a series of strategic choices and implementations that mold an organization. Indeed, Hartnell et al. (2011: 688) point out that "it is important for executive leaders to consider the fit, or match, between strategic initiatives and organizational culture when determining how to embed a culture that produces competitive advantage". They also call attention to future research, stating that "organizational culture is an important organizational variable and reinforce the value of conducting quantitative investigations into the function of organizational culture" (ibid: 688).

Many factors go into the creation of a successful organization. One element is leadership and the organizational characteristics it commands. Some of the most well-known unicorns (startups with a valuation of \$1 billion or more) such as Google and Facebook

are also companies that are known for their leadership practices and organizational culture. Thus, it is worthwhile to examine what the role of leadership and organizational culture is while companies are still relatively small. Researchers seem to agree: Hambrick and Finkelstein (1987) cited in Agle et al. (2006: 169) and Ling et al. (2008: 924) note that executives and leaders in smaller organizations have more freedom and discretion to affect organizational activities. It could thus be argued that most of the successful creation of organizational culture happens in less complex organizational contexts. After all, as Garten (2001) cited in Agle et al. (2006: 169) points out, leaders of large firms (such as Google and Facebook) are distanced from the internal everyday motions of organizations.

This literature review examines three areas specifically. First, the relationship between CEO founding status and firm performance is outlined as a guiding assumption for the remainder of the review. While this review does not directly test any hypotheses about CEO founding status and firm performance, the section on firm performance provides a rationale for why and to what extent CEOs and CEO founding status matter in an organization. Throughout this review, the terms *firm performance* and *organizational effectiveness* are used almost synonymously, but it should be noted that *firm performance* is discussed in relation to more traditional measures of success (e.g. financial indicators), whereas *organizational effectiveness* concerns a more internal organizational context to success (e.g. effective leadership, employee satisfaction).

In the subsequent section literature on leadership behaviors and styles will be examined. This part will attempt to outline the behavioral variables that CEO founding status affects. Thirdly, the study of CEO emotions will be discussed briefly as a continued study of CEO characteristics and differences. Lastly, a conclusion and conceptual framework based on the findings of this review are presented at the end.

## **2.2. CEO Founding Status and Characteristics That Affect Firm Performance**

Nohria et al. (2003) have studied what effectively goes into a successful business operation. They call the winning solution the '4+2 formula', where the four primary

practices are strategy, execution, culture, and structure. The authors claim that these characteristics should be complimented by any two of the following secondary practices: talent, innovation, leadership, and mergers and acquisitions. With this combination of 'four plus two' management practices, companies should fare well against competitors.

Nohria et al. (2003) continue to stress that building the right organizational culture is crucial to a company, and that this includes not only managerial work efforts, but also fostering an empowering and safe environment for employees who know the company's values. They also point out that while their study did not find any correlation between CEO characteristics (such as charisma or being visionary) and organizational success, some leadership skills do matter; being sociable, inspiring and positive can yield good results for firm performance. It could be argued that some of these CEO traits are interconnected (for example, charisma and being inspiring), and that more than just a few characteristics thus matter.

The formula created by Nohria et al. (2003) is particularly interesting for CEO studies as it categorizes organizational culture as equally important as for example strategy or firm structure. Similarly, leadership is regarded as a key secondary source of success. All in all, Nohria et al. state that CEOs account for 15 percent of a company's performance in terms of profitability, which is a significant stake in a company's success. This impact that CEOs have in their organizations is also called the CEO effect. Quigley and Hambrick (2015) provide more recent evidence on how impactful chief executive officers are; (in US firms) the CEO effect could be as high as 20 percent, and the trend has been consistently upward for decades. While CEOs are undoubtedly significant figures in their organizations, pinpointing what makes them so influential is a harder question to answer. The next paragraphs will discuss CEO founding status as one key variable.

The effect of founding status on firm performance has been studied to better understand what the leadership conditions for organizational success are. He (2008) argues that "a founder-managed firm is correlated with higher return on assets and is more likely to survive" than a company that is managed by a non-founder (p. 269).

Similarly, Adams et al. (2009) find that there is a positive relationship between founder CEOs and their companies' market valuations and operating performances. Adams et al. also propose that founder CEOs will only step down if they believe their companies are "in good shape" (p 149), which may indicate that due to founder benevolence (personal interest in the company), founder CEOs are more personally than professionally attached to their companies. This, in turn, may be beneficial when creating an organizational vision and identity.

Contrary findings have been reported by Abebe and Alvarado (2013) who state that companies led by founder CEOs tend to test worse in ROA (return on assets) and ROI (return on investment) than companies that are headed by non-founder CEOs. They continue to argue that founder CEOs lack some managerial skills needed to run a company. Similarly, Wasserman (2008) argues that these skills stretch "most founders' abilities beyond their limits." (p. 106). These managerial skills could affect leadership behaviors as well, which makes Abebe and Alvarado's as well as Wasserman's arguments interesting in light of behavioral differences between CEOs.

Although financial indicators are important factors of success, firm performance could be measured in other ways, as well. For example, He (2008) notes that founder CEOs' intrinsic attributes, including a high need for achievement and psychological attachment and commitment to their companies, affect their "motivation, decision, and relationship with the organization" (p. 259). He suggests that due to these characteristics, founder-CEOs' interests are more aligned with their companies than the interests of non-founder CEOs. Indeed, it would appear that founder CEOs are less motivated by money (and more motivated by, for example, their psychological commitment to their companies), as He proposes that founder CEOs require less incentive compensation than their non-founder counterparts (p. 274).

Similarly, researchers (e.g. Mousa & Williams, 2012; Souder et al., 2012) point out that founders possess more firm-specific knowledge and skills, and according to Simon (1976)

cited in Mousa and Williams (2012: 305), founders tend to internalize an organization's goals and actively work towards achieving them. It could be argued that this is due to the fact that organizational goals are extensions of a founder's initial input, including skills, knowledge and motivation, into the company. Founders entrepreneurial orientation combined with a latitude of action has been reported to affect growth and IPO outcomes in a positive way (e.g. Hambrick & Finkelstein, 1987; Mousa & Williams, 2012; Souder et al., 2012).

All in all, these findings support the view that there are different ways in which founder CEOs and non-founder CEOs can affect organizational effectiveness. That is, the CEO effect can vary from entrepreneurial to professional CEOs. These influences come from intrinsic differences in CEOs, which if studied more, could shed light on what the various elements of the CEO effect are, and to what extent founding status matters.

### **2.3. CEO Founding Status Can Shape Leadership Behaviors**

A company, much like any organized entity, has its own behaviors and cultures. Founders' effect on organizational culture is a key consideration for a newly established or growing company. As stated by Bass and Avolio (1993), a company's organizational culture is "often the creation of their entrepreneurial founders" (p. 114). Bass and Avolio claim that a founder's personal beliefs are the cornerstone of an organizational culture, and that those beliefs can either make or break the company's success as an organization. Indeed; according to Nelson (2003), founders act as organizational architects, and they have "a persistent effect on the firm" (p. 721). Based on these effects, it can be concluded that all founders have the potential to influence organizations differently, and that non-founder leaders, by definition, could affect and shape organizations in ways that are divergent from a founder's imprint.

Many different types of leadership behavior and their effects on organizational effectiveness has been studied. For instance, Peterson et al. (2012) report that a founder CEO's impact on a company combined with psychological commitment, and other factors



such as a long-term orientation, could be viewed as servant-type leadership. Servant leadership is characterized by a leader putting followers' development over their own self-interests. Peterson et al. argue that founder CEOs are "more likely to engage in servant leadership behaviors than will [non-founder] CEOs" (p. 573). This finding offers support for the fact that founder CEOs and non-founder CEOs differ in their leadership characteristics and behavior.

Peterson et al. continue to suggest that there is a positive relationship between servant leadership and CEOs' identities being "intertwined with their organization's identities" (p. 587), which, in turn, can have a positive impact on organizational effectiveness. The authors explain: "servant leadership may be particularly effective at improving performance by motivating and empowering knowledge workers to reach their full potential and feel engaged in a greater cause that benefits a wide range on stakeholders." (p. 589). Thus, the authors' study provides a key connection between CEO founding status, organizational culture, and ultimately organizational effectiveness.

Another type of leadership style, mentioned already earlier in this review, is transformational leadership. Transformational leadership is sometimes grouped together with charismatic leadership (e.g. Wang et al., 2011). Transformational leadership has been linked to positive organizational effectiveness by various researchers (e.g. Ling et al., 2008; Peterson et al., 2009; Wang et al., 2011). Ling et al. (2008) offer particularly significant findings for SMEs, stating that as smaller companies afford "CEOs more managerial discretion" (p. 924), transformational leaders have a direct impact on a company's success in terms of performance. Ling et al. also note that with transformational founder CEOs this effect was greater than with non-founder CEOs. These findings provide more proof that CEO founding status correlates with certain types of leadership behaviors, and that these behaviors affect firms differently.

Another connection from transformational leadership to organizational effectiveness has been made by Wang et al. (2011). They claim that (in the Chinese context), both transformational and transactional leadership styles are positively related to firm

performance, but through different channels. It appears that while transactional, or task-focused, leaders affect firm performance directly, transformational, or relationship-oriented, leaders do so indirectly through influencing employee attitudes. Combining the findings of Ling et al. (2008) and Wang et al., it could be said that as visionary architects and transformational leaders, founder CEOs might have greater influence on employees than non-founder CEOs. This would suggest that founder CEOs' leadership behaviors could be more conducive to building a strong organizational culture.

Taylor et al. (2014) provide a deeper look into transformational leadership through the study of visionary leadership, which is another form of transformational leadership. They note that a visionary leader is one that guides and motivates employees through a merged version of their own vision for the organization. The authors' findings suggest that leaders' impression of their own leadership style (transformational) is not different from the impressions of their employees, and that these positive perceptions of leadership can result in long-term organizational success. These findings by Wang et al. (2011) and Taylor et al. (2014) offer insight into leadership behaviors, but lack a connection to CEOs' founding status. While more research into the topic is required, it can be concluded that on an aggregate level leadership behavior does matter for an organization's performance.

While it can be said that CEO leadership affects organizational effectiveness, Hartnell et al. (2016) claim that such an impact is only effective when a leader's behavior is dissimilar to the prevailing organizational culture. In other words, companies are more effective when leadership is different from the organizational culture than when leadership reinforces the existing cultural environment. However, an assumption of a failing or ineffective organization as the focus area could be made here, as Hartnell et al. state that leadership behavior is effective when it makes up for "psychological and motivational resources" (p. 857) that are missing in the existing organizational culture.

Additionally, while Hartnell et al. (2016) agree that a founding CEO's leadership role within an organization affects organizational culture, they do not address the emergence of leadership as a sculpting organizational factor. Consequently, no significant attention is

paid to whether there are differences between founder and non-founder CEOs' behavioral effectiveness. Due to the relatively low percentage of founder CEO participation in the study, Hartnell et al. were unable to detect any moderating effect based on founding status. Future research should thus be done to examine the similarities and differences between founder and non-founder CEOs and their effect on organizational culture and effectiveness.

## **2.4. Leadership Behavior and Personality Traits**

Although behavior is clearly not synonymous with personality, some personality traits could affect behavior, and together these separate constructs might provide a more systematic look into leadership and its effects on an organization. Indeed, it has been reported that CEO's affective traits, i.e. mood and emotions, impact the strategic choices they make (Delgado-García & De La Fuente-Sabaté, 2010). More specifically, positive moods and emotions tend to lead to less conventional strategies, whereas negative affective traits are related to strategic conformity.

As an extension of these findings, it can be argued that personality traits affect also organizational effectiveness. Herrmann and Nadkarni (2012) suggest that CEO personality can affect the performance of a company due to the CEO's "individual relationships...with proximal employees (e.g. top and middle management) and the organizational environment that they create" (p. 1319). The personality traits in question are specifically extraversion, agreeableness, conscientiousness, emotional stability or neuroticism, and openness to experience, which together form the Big Five or five factor model (FFM). According to the authors' findings, CEO conscientiousness and agreeableness have a negative relationship with companies engaging with strategic change, while openness and emotional stability relate positively with strategic change.

Although an interesting finding in the field of CEO studies, the study by Hermann and Nadkarni (2012) did not find CEO founding status to affect the impact of these personality traits on organizational effectiveness. However, as founder CEOs have been reported to

have more positive effects as transformational leaders (Ling et al. 2008), it could be claimed that founder CEOs' relationships with employees are more notable than the ones of non-founder CEOs. Whether these founding status-specified relationships are rooted in personality traits or behavior (or the combination of both) remains unknown for now.

Similar results on personality have been reported by Peterson et al. in 2009. The authors demonstrate that CEO personality traits such as being hopeful, optimistic and resilient are connected to transformational leadership, which in turn has a positive relationship with firm performance (p.363). It can thus be argued that organizational culture created by a transformational leader with specific personality traits has a positive effect on organizational effectiveness. These findings prove that a connection between personality, leadership behavior and organizational effectiveness does indeed exist. Although the relationship between CEO founding status and transformational leadership remains unprobed in this study, a relationship was found by Ling et al. in 2008 (discussed previously in this review).

A recent study by Lee et al. (2017) proposes a clear distinction between founder CEOs and their professional counterparts. It could be said that this distinction is a combination of personality and behavior. The authors state that founder CEOs are statistically more overconfident than non-founder CEOs. Lee et al. describe overconfidence as a tendency to overestimate one's own capabilities, and that the concept, in this case, is interchangeable with being optimistic. The study's focus is on large S&P 1500 firms only, but it offers a noteworthy addition to CEO studies as a whole.

Lee et al. partly root the need for this kind of scientific inquiry in better understanding why entrepreneurs choose to take on new ventures that are likely to fail, and they note that founders of smaller firms indeed tend to also be "more confident than professional managers" (p 752). As Lee et al. point out, the practical implications of this kind of study affect not only investors and board members, but also employees; CEO overconfidence can promote unrealistic goals in the workplace, but those far-reaching goals could also act as a motivational factor for employees. Consequently, the study of cognitive biases as

a part of personality and behavior can be a vital part of CEO studies as they are directly related to leadership styles, and by extension to organizational effectiveness.

## **2.5. Conclusion**

This literature review has attempted to bridge the gap between various elements of leadership in an organizational context: CEO founding status, leadership behaviors and styles, and CEO personality. Evidence provided in this review states that:

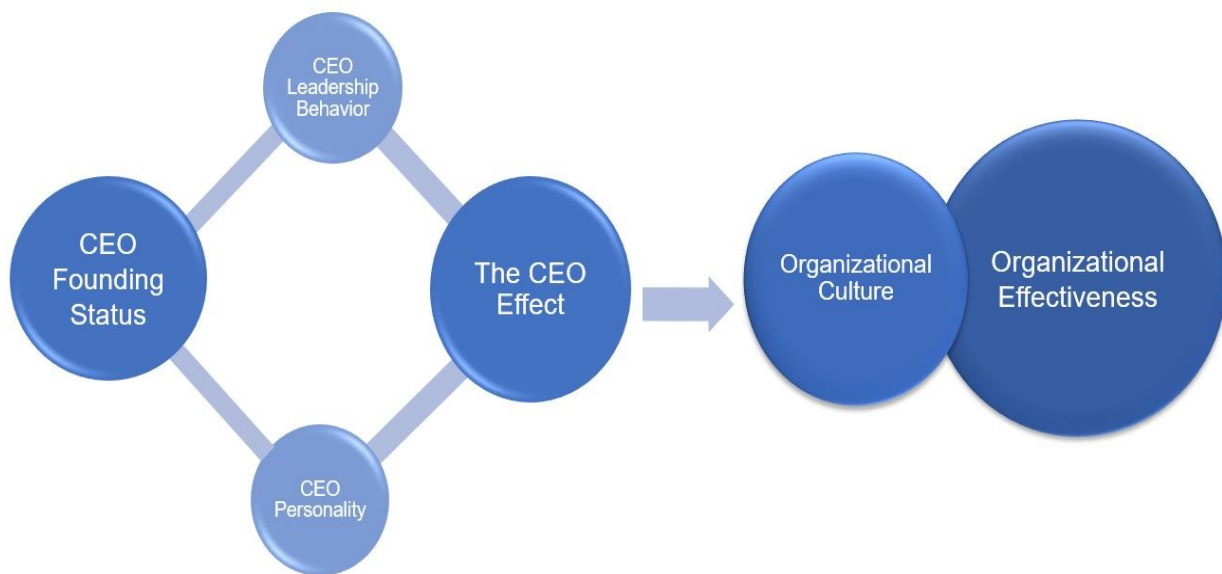
1. there are differences between founder CEOs and non-founder CEOs,
2. there are differences in the CEO effect and how founder and non-founder CEOs affect organizational effectiveness,
3. there are differences in founder and non-founder CEOs' leadership behaviors, and
4. there are some differences in founder and non-founder CEOs' personality traits, and these could be related to leadership behaviors.

Together, these findings would suggest that more connections between founding status (evidence 1) and the CEO effect (evidence 2) could be found through the study of leaders' behavior and personality (evidence 3 & 4). As Hartnell et al. (2011: 688) emphasize the importance of more quantitative research into how organizational culture may affect organizational effectiveness, the discussion in this literature review calls for similar research while holding CEO founding status as a key variable in the organizational context.

## **2.6. Conceptual Framework**

The conceptual framework presented below (Figure 1). depicts the relationships discussed above in section 2.5. It also places CEO founding status as the starting point of inquiry. Thus, the purpose of the framework is to guide future research into the realm of how leadership behavior and personalities within the context of CEO founding status influence a CEO's effect in an organization, namely as the builder and guardian of organizational culture and effectiveness.

The somewhat linear structure is to show the direction of influence as well as to depict the relationship of each concept. Organizational effectiveness, for instance, includes the concept of organizational culture, but it is not solely defined by it. The main inquiry is into CEO founding status as the independent variable, and how it affects the dependent variable of CEO effect. Ultimately, future research could reveal whether founder and non-founder CEOs differ significantly in their behaviors and personalities, and how meaningful these differences might be to organizations' culture and effectiveness.



**Figure 1** *Conceptual Framework on the Effect of CEO Founding Status in an Organization (Niironen, 2018)*

### **3. METHODOLOGY**

#### **3.1. Research Approach and Design**

The aim of this research was to study the correlation of CEO founding status with personality, and to examine how leadership behavior changes on the basis of founding status. In order to do this, two existing frameworks were used:

1. The Ten-Item Personality Inventory (TIPI), created by Gosling et al. (2003), in order to measure the Big Five personality traits
2. The Mouton and Blake Managerial / Leadership Grid, created in the 1960s, in order to map leadership behavior as a distinction of people-orientation and task-orientation.

Gosling et al. (2003) have built a 10-item personality trait questionnaire which effectively summarize the Big Five personality traits: extraversion, agreeableness, conscientiousness, emotional stability or neuroticism, and openness to experience. The rationale for using this questionnaire design lies in its efficiency; respondents need only answer a few items on a Likert scale in order for a researcher to draw conclusions from their personality. Indeed, Gosling et al. state that the FIPI questionnaire can be a “reasonable proxy for a longer Big-Five instrument, especially when research conditions dictate that a very short measure be used” (p. 513).

The TIPI questionnaire consists of 10 questions so that each Big Five personality trait is represented as both a positive and negative pair of traits. The negative pairs are reverse-coded during analysis, which allows the user to calculate an average score for each two pairs (positive and negative), creating an overall score for a particular personality trait. For the purpose of this research, these average scores will be tested for correlation with founding status.

The Big Five personality traits are registered as follows:

Extraversion: items 1, 6 (reversed)

Agreeableness: items 2 (reversed), 7

Conscientiousness: items 3, 8 (reversed)

Emotional Stability: items 4 (reversed), 9

Openness to Experiences: items 5, 10 (reversed)

Question items, which also define the above personality traits further:

1. Extraverted, enthusiastic.
2. Critical, quarrelsome.
3. Dependable, self-disciplined.
4. Anxious, easily upset.
5. Open to new experiences, complex.
6. Reserved, quiet.
7. Sympathetic, warm.
8. Disorganized, careless.
9. Calm, emotionally stable.
10. Conventional, uncreative

The second framework used in this research is Blake and Mouton's 1964 managerial or leadership grid. This framework distinguishes leaders' behavior as an axis of people-orientation and task-orientation. As leaders are placed on the grid according to their response profile, they are characterized by one of four leadership styles: impoverished, country club, team leader, and authoritarian. The explanations for these leadership styles are provided below (in accordance with Blake and Mouton 1982):

1. Impoverished leader: low concern for both people and task, characterized as exerting minimum effort
2. Country club leader: high concern for people, low concern for task, characterized as friendly



3. Team leader: high concern for both people and task, characterized as having interdependence of goals
4. Authoritarian leader: high concern for task, low concern for people, characterized as valuing efficiency

The rationale for using Blake and Mouton's grid to measure behavior is its straightforward perspective to behavior: both orientations are needed to an extent to be an effective leader. As Blake and Mouton (1982: 24) explain:

At the root of the interdependence issue is the following: There is no way to exercise leadership unless both task and people are present simultaneously as one thinks about how to exercise it. A leader can work on a task without exercising leadership by doing it all alone. Alternatively, a leader can have social relations during which time is spent with a subordinate talking about the weather or who just got divorced or the inevitability of taxes. That's chit-chat: It leads nowhere, it involves no exercise of leadership.

Testing for leaders' people versus task-orientation in survey form is also an efficient way to study leadership behavior compared to more complex quantitative methods, qualitative methods, or experiments. The survey selected for this research is one used by other researchers as well (e.g. Garg & Jain, 2013). The survey consists of 18 questions, which can be divided into two categories: people-orientation and task-orientation. Values for each category is added together and multiplied by a coefficient of 0.2 in order to place the sums on a scale of 1 to 9. This calculation provides a final value for each orientation, which can then be plotted on the Blake and Mouton grid using people-orientation and task-orientation as the X and Y axis.

### **3.2. Sampling and Data Collection**

Sampling was done on the basis of four main criteria:

1. The respondent is currently the CEO of their company,

2. The company the respondent works for is an SME, where employee count is between 2 and 249,
3. The respondent is Finnish and speaks both Finnish and English,
4. And all of this information was public and available online.

Respondents were sought out via LinkedIn and a company search engine on [www.kauppalehti.fi](http://www.kauppalehti.fi), the website of the Finnish commerce-oriented newspaper Kauppalehti. Certain characteristics had to be visible on the potential respondents' LinkedIn profile; they had to be of Finnish origin, and the CEO of their current company. Some potential respondents were also selected on the basis of them being the founder or co-founder of their companies. The companies scouted on LinkedIn were then tested on the company search engine to ensure their SME status. Some potential respondents were also selected from existing social networks on the basis of their CEO position and the size of their company. The geographic focus of the sample was on the Helsinki and Espoo regions, which are among the biggest business centers in Finland.

It may be important to note that the sample for this research was originally intended to be multinational, but due to the difficulty of obtaining enough non-Finnish respondents, the criteria was modified to include only Finnish CEOs. This was done to ensure a reliable and comparable sample.

The survey was created on Webropol software, and it was administered online in order to expedite the collection of responses and to protect the identity of those who decided to take the survey. The survey was sent to potential respondents via email as a public link, which made tracing answers back to individuals impossible. The goal was to collect a total of 30 responses, with a 50-50 division of founder CEOs and non-founder CEOs. After the link had been open for three weeks, 35 responses were recorded with a slightly uneven distribution of founder and non-founder CEOs (51.5 percent founders, 48.5 percent non-founders).

Three respondents were excluded from analysis due to incompatibility with the sampling criteria; one was of non-Finnish origin, one was not the CEO of their company (although the respondent was the founder of their company), and one worked for a company that had 250 or more employees. With the removal of these three respondents, the remaining distribution of founder and non-founder CEOs became 50-50 (N=16 for both categories). Overall, the survey was sent to 95 CEOs and executives, which translates to a response rate of 36.8 percent.

### **3.3. Survey Instrument**

The survey started with seven initial questions about the respondents' founding status, position and tenure as CEOs or executives. The Ten-Item Personality Inventory questionnaire followed with a 7-point Likert scale ranging from 'disagree strongly' to 'agree strongly'. Next, respondents were asked about their leadership behavior as measure of their leadership orientation (people versus task) in 18 questions. Here, the 6-point Likert scale ranged from 'never' to 'always'. After the provision of personality and leadership behavior answers, respondents answered five questions about their current company, including its employee count and industry, and four demographic questions (gender, age, highest degree, and nationality). Questions about the companies and demographics details were added for statistical reasons and in order to test for their effect on the overall findings of the survey. See Appendix 4 for the full and detailed questionnaire.

### **3.4. Limitations of Methodology**

There are some obvious limitations to the chosen methodology of this research. First, while the response rate was decently high, administering a self-assessment survey via email to chief executive officers is a slow and time-consuming process. Each CEO needed to be hand-picked to ensure a valid sample, and there was no guarantee that potential respondents would take the survey. Consequently, the number of respondents remained relatively low. It is reasonable to expect that the likelihood of potential respondents to answer the survey decreases the longer it has been from the receipt of the email.

Therefore, the most conceivable method of increasing the amount of data would be to send the survey to a significantly higher number of CEOs.

A second limitation of the methodology is the selection of two existing frameworks. While both frameworks acted as a satisfactory tool of analysis, some shortcomings may have affected the reliability of the results. Firstly, Gosling et al. (2003; [www.gosling.psy](http://www.gosling.psy)) caution researchers from the low alpha reliability results using the TIPI questionnaire. Instead, they suggest a test-retest method for estimating reliability. Secondly, while Blake and Mouton's managerial grid has sparked research for decades, their framework is simplistic and possibly outdated to be used for 21<sup>st</sup> century leaders. Additionally, little research based on Blake and Mouton has been done recently, which suggest that another leadership model, for example the competing values framework, could have been used for this research instead.

## **4. ANALYSIS AND FINDINGS**

### **4.1. Background Information**

#### **4.1.1. Founding Status and CEO Tenure**

Thirty-two people within the sample requirements completed the survey. All respondents were Finnish, and currently working as CEOs. Half of the respondents were founders (N=16). The average CEO tenure in the respondents' current companies was 3.2 years, with three significant outliers of 10.5, 11, and 21 years. Without the outliers, the average current CEO tenure was 2.1 years. The overall average tenure in the respondents current and past CEO positions was 5 years including two outliers of 18 and 21 years. Without these outliers, the average overall CEO tenure was 4 years. Thus, on average, the respondents had been in previous CEO positions for 1.8-1.9 years before their current CEO position.

Looking at tenure with founding status in mind, the average tenure in the current position was 4 years for founder CEOs (including two outliers of 10.5 and 21 years), and 2.5 years

for non-founder CEOs (with one outlier of 11 years). Without outliers, the respective numbers are 2.3 and 1.9 years. In both cases, founder CEOs tend to have longer current tenure than their non-founder counterparts. This observation of CEO tenure has been noted by other researchers, as well (e.g. He, 2008; Abebe & Alvarado, 2013).

The average founder CEO overall tenure was 4.6 years with one outlier of 21 years, while non-founder overall tenure was 5.4 years with one outlier of 18 years. Without outliers, the respective numbers are 3.5 and 4.5 years. This indicates that non-founder CEOs, while newer in their current positions, had overall longer tenure as CEOs than founders. More specifically, non-founder CEOs had been in CEO positions throughout their careers for 0.8-1 year longer than founder CEOs.

Additionally, approximately 41 percent of the respondents had worked in the same company before becoming CEO. Out of founder CEOs, only 25 percent worked in the company they founded in another position before becoming CEO. For non-founder CEOs, the respective percentage is 56. Consequently, and unsurprisingly, founder CEOs tend to hold a CEO position as their first position in their companies more often than professional CEOs, who in turn more often hold other positions in their companies before becoming chief executive officers.

#### **4.1.2. Company and Industry Details**

The mode of the company size was between 11 and 50 employees (47 percent of respondents' companies). Approximately 16 percent of the companies had less than 5 employees, 17 percent had between 5 and 10 employees, 16 percent had between 51 and 100, and only one company, approximately 3 percent of all companies, had more than 101 employees. The average age of the companies was 13.2 years, ranging from 1 to 94 years. All but one of the companies were headquartered in Finland (mostly in Helsinki and Espoo) and the one outlier was headquartered in Stockholm. Out of 32 respondents, 21 disclosed their company's revenue in the previous year (2017). On average, revenue was 3.8 million euros, ranging from 0.17 to 20 million euros.

The respondents' industries ranged from information and communications technology (ICT) to marketing and advertising, consulting and training, and other services (HR, real estate, healthcare, travel industry). Additionally, two companies were manufacturers, and one operated in the field of wholesale. Approximately 38 percent of the respondents' industries were in information and communications technology, which was the single largest industry category among the responses.

#### **4.1.3. Demographic Details**

Approximately 59 percent of the respondents were male, and 41 percent female. The average age was 38.9 years with 35 years being the mode. Overall, the respondents' age ranged from 20 to 64 years. Most of the respondents' highest degree was a master's degree (69 percent), while the range of degrees was from a high school diploma to a doctorate degree. All respondents were of Finnish nationality. The respondents' study fields or expertise, factors which might be significant for personality and behavioral orientation, were not recorded in the questionnaire.

#### **4.2. Founding Status and Personality**

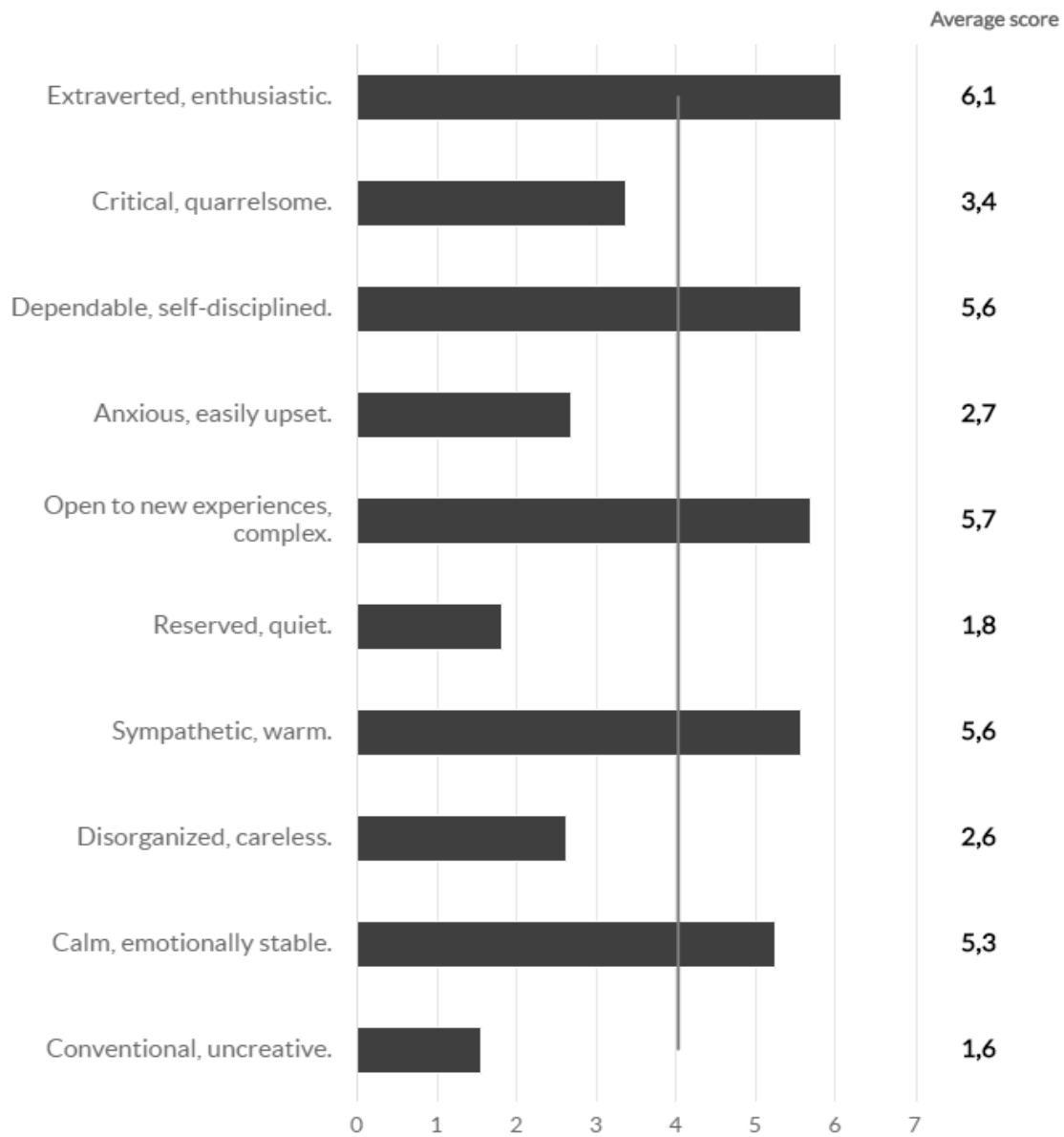
The two tables below summarize the respondents' results in the Ten-Item Personality Inventory (TIPI) questionnaire. Table 1 depicts founder CEOs' responses in the TIPI questionnaire, whereas Table 2 depicts non-founder CEOs.

As is evident from the average scores of the responses, founder CEOs rated themselves higher in only one positive item: extraverted, enthusiastic (an average score of 6.1 for founder CEOs versus an average score of 5.1 for non-founder CEOs). Founder CEOs also rated themselves lower on the following negative items, which are reverse-coded for correlation analysis: reserved, quiet, and conventional, uncreative. These differences show that although the sample size is relatively small, there are some noticeable differences between CEOs self-reported personality traits when using founding status as the key variable.

In order to test for the strength and significance of these differences, a correlation analysis is done. After reverse coding the negative traits and calculating an average score for each respondent in each Big Five personality trait, a correlation analysis can be conducted using founding status as the reference value. Appendix 5 shows how this coding analysis is done. From Table 3, it can be seen that founding status is correlated with CEOs' personality to an extent. In this analysis, founding status is broken down into codes of 1 and 2, where 1 depicts founder CEOs as a founding status, and 2 depicts non-founder CEOs.

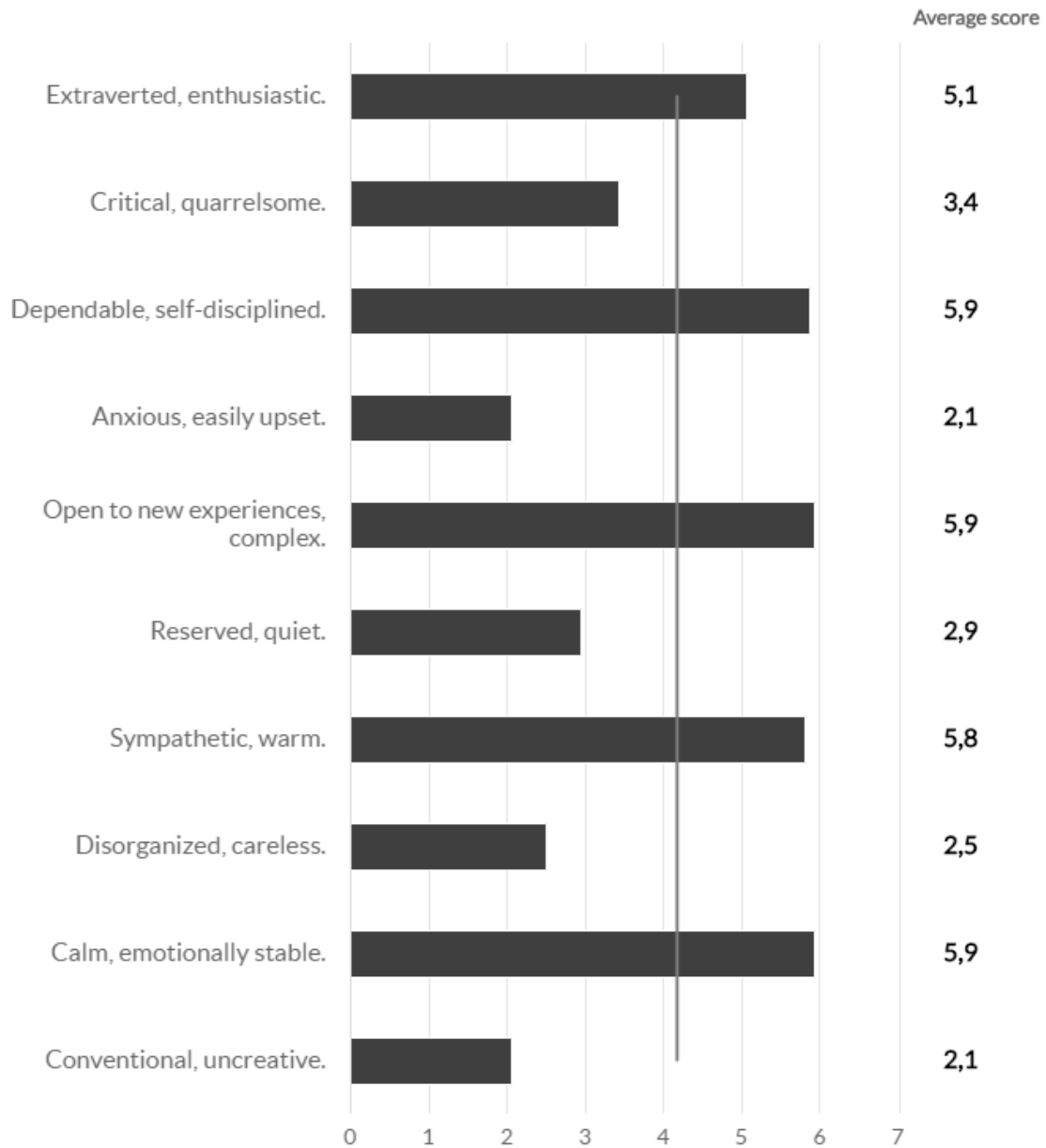
Extraversion is negatively correlated with founding status, which means that as founding status increases from 1 to 2, or from founder to non-founder CEO, extraversion decreases. In other words, a founder CEO is likely to report being more extraverted than a non-founder CEO. The negative correlation is moderate (-0.37), but strong enough to be statistically significant.

Similar analysis can be done for the remaining four other personality traits. There is almost no correlation between founding status and agreeableness, which suggests that agreeableness does not change with a CEO's founding status. Emotional stability or neuroticism, on the other hand, is correlated with founding status to a moderate degree. This positive correlation suggests that non-founder CEOs tend to self-report being more emotionally stable than founder CEOs. Conscientiousness and openness to experience are only slightly correlated with founding status, but in opposite directions. While conscientiousness is more associated with non-founder CEOs, openness to experience is slightly more connected to founder CEOs. These two correlations are not, however, statistically significant enough to make strong claims about the effect of founding status on conscientiousness and openness to experience.



**Table 1** Founder CEOs' responses to the TIPI questionnaire





**Table 2** Non-founder CEOs' responses to the TIPI questionnaire

	<i>Founding Status</i>	<i>Extraversion</i>
Founding Status	1	
Extraversion	-0,373558714	1

	<i>Founding Status</i>	<i>Agreeableness</i>
Founding Status	1	
Agreeableness	0,044122418	1

	<i>Founding Status</i>	<i>Conscientiousness</i>
Founding Status	1	
Conscientiousness	0,095408232	1

	<i>Founding Status</i>	<i>Emotional stability</i>
Founding Status	1	
Emotional stability	0,275577263	1

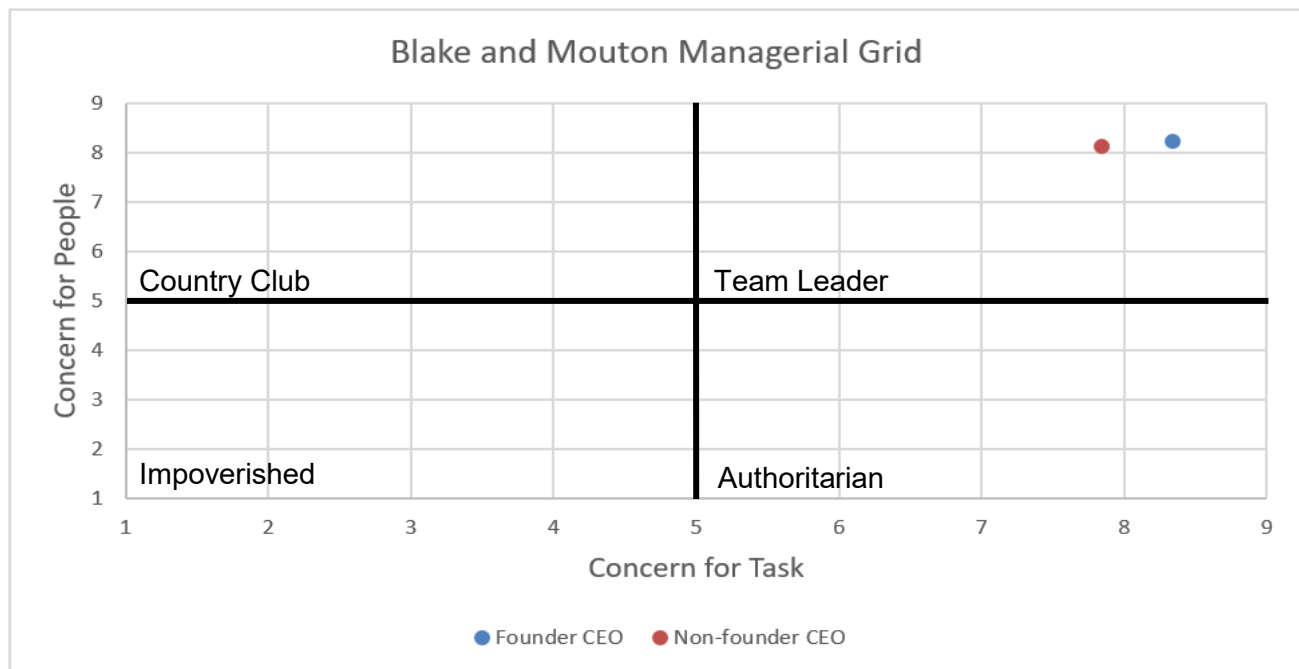
	<i>Founding Status</i>	<i>Openness to Experience</i>
Founding Status	1	
Openness to Experience	-0,070710678	1

**Table 3** Correlation of founding status and each Big Five personality trait

#### 4.3. Founding Status and Leadership Behavior

The grid below (Graph 1) depicts founder CEOs and non-founder CEOs placement on the Blake and Mouton managerial grid. This calculation was done by categorizing the leadership behavior questionnaire into people-orientation questions and task-orientation questions. Appendix 6 shows how this analysis is done. Out of 18 questions, nine depicted people-orientation values while the remaining nine characterized task-orientation values. From these two sets of questions, an average score ranging from one to seven was

computed to create a category sum for both people and task-orientation. This sum was then multiplied by a coefficient of 0.2 in order to produce final values, shown in Table 4, on a range from one to nine. The 9,9 range acts as the frame for the managerial grid, seen in Graph 1.



**Graph 1** Founder and non-founder CEOs placement on the managerial grid according to leadership orientation

	Concern for task	Concern for people
Founder CEO	8,3375	8,2375
Non-founder CEO	7,8375	8,125

**Table 4** Computed behavioral orientation values for founder and non-founder CEOs

Once each founding status received their own factored sum of both people and task-orientation, these numbers were plotted on a X-Y axis. By dividing the grid into four sections according to the axis values, the four Blake and Mouton leadership styles become apparent. From this analysis, we can see that both founder CEOs and non-

founder CEOs have reported their behavioral orientation to be team leaders above all else.

Founder CEOs' team leader orientation is slightly stronger than non-founders. According to this analysis and Table 4 above, founder CEOs are both more task-oriented (8.34 versus 7.84) and more people-oriented (8.24 versus 8.13) than non-founder CEOs. This effectively places non-founders closer to a country club leadership style, and marginally closer to an authoritarian leadership style, when compared to founder CEOs high placement on the managerial grid. Overall, both sets of CEOs self-report to being both people and task-oriented, while founder CEOs do so at a slightly stronger basis.

## **5. DISCUSSION**

### **5.1. Assessment of Findings**

This thesis set out to answer the following questions:

1. Is there a correlation between CEO founding status and CEOs' personality traits?
2. How does leadership behavior change with CEO founding status?
3. Do CEOs' personality traits support the changes or differences in behavior caused by CEO founding status as the independent?

In the following sections the findings of this thesis will be discussed in order to outline whether the research questions above can be answered based on data analysis, and to what extent the findings are statistically significant.

#### **5.1.1. Correlation Between CEO Founding Status and Personality Traits**

The first analysis of founding status and personality indicates that some personality traits are correlated with a CEO's founding status to a moderately significant degree. These Big Five personality traits are extraversion and emotional stability. They are correlated in opposite directions, meaning that with the increase of founding status from founder to non-

founder CEO, extraversion decreases and emotional stability increases. In other words, founder CEOs are more likely to exhibit extraversion than non-founder CEOs, and non-founders in turn are more likely to exhibit emotional stability than founders. These results are supported by the scores in Tables 1 and 2: founder CEOs rate themselves higher in extraversion items (extraverted and enthusiastic, and reverse-coded reserved, quiet), whereas non-founders rate themselves higher in emotional stability items (reverse-coded anxious, easily upset, and calm, emotionally stable).

The significance of this finding is moderate, as the sample size of 32 respondents is large enough to prove some statistical value in medium-level correlation. Founder-CEOs cannot, however, be characterized as more extraverted or less emotionally stable than non-founders as a rule. This study also does not go into reasons of why one CEO may be more likely to exhibit one personality more than another CEO. Among possible reasons are the various factors of human capital, which cannot be reliably and exhaustively tested in this study. Despite the undetailed nature of the findings, this study proves that there indeed is a correlation between CEO founding status and some CEO personality traits, when tested as the Big Five.

Conscientiousness and openness to experience were the two Big Five personality traits that had a minor correlation with whether a CEO is also the founder of their company. As with extraversion and emotional stability, the correlation is opposite; founder CEOs tend to be minimally more open to experience and less conscientious than their professional counterparts. The significance of this finding is low, however, and no broader conclusions should be made. Similarly, this study did not find a strong correlation between founding status and agreeableness, and so both founder and non-founder CEOs rate themselves as almost equally agreeable.

### **5.1.2. CEO Founding Status and Leadership Behavior**

The second analysis of founding status and leadership behavior revealed that while both founder and non-founder CEOs are likely to be interdependently people and task-oriented,

founder CEOs rate slightly higher on both orientations. This would suggest that founding status affects behavioral orientation to the extent that founders perceive themselves to be both slightly more task efficient and friendly, or behave like a “people person”, than non-founders. The difference caused by founding status is, however, small.

Considering the area of the Blake and Mouton managerial grid and the four different leadership styles on it, the difference between founder and non-founder CEOs is minimal and statistically quite insignificant. Both types of CEOs rate their behavioral orientation to be a combination of both high people and task-orientation. Both types of CEOs are thus clearly placed in the team leader category of the grid. More varied findings could be found with a more extensive study, for example using different variables to test for factors of human capital and nationality. Nonetheless, this study does show a slight change in behavioral orientation, although the leadership style as proposed by the Blake and Mouton managerial grid remains the same for both founder and non-founder CEOs.

### **5.1.3. CEO Personality Traits Combined with Leadership Behavior**

This study tests for the independent variable of CEO founding status and two seemingly separate dependent variables, personality traits and leadership behavior. While a thorough analysis of all three variables is beyond the scope of this thesis, some assessment of their behavior together can be made.

When combining these realms of CEO studies used in this thesis, we can potentially see how leadership behavior and personality traits manifest in the same context of CEO founding status. In this research, we have discovered that founder CEOs' founding status tends to appear together with extraversion and openness to experience, and founder CEOs are slightly more people- and task oriented than non-founder CEOs. Founder CEOs' higher scores in extraversion, or being able to enjoy other people's company, could be thus connected to founder CEOs' higher placement as people-oriented leaders. Additionally, conscientiousness could be related to high placement in task-orientation.

Conscientiousness, however, correlates slightly more with non-founder CEOs, who place slightly lower as task-oriented leader than founder CEOs.

This study does not attempt to conclusively explain why CEOs self-report certain characteristics. There is also not enough evidence to prove that personality traits and leadership behavior are significantly correlated when studying founder and non-founder CEOs. Some personality and behavioral traits may, however, prove to be connected in a significant way, as in extraversion being a prerequisite or prediction for people-orientation, in more detailed studies. To conclude, this thesis fails to answer whether personality traits support the effects that founding status has on CEOs' behavioral orientation, or in other words whether there are undisputed relationships between certain personality traits and behavioral orientation, but some superficial connections can be found.

## **5.2. Managerial Implications**

The practical value of this research is in better understanding the factors that go into chief executive officers' leadership in the workplace, and specifically in small to medium enterprises, which make up most of existing companies both in Finland and abroad. If executives, employees, investors, customers and other stakeholders can predict how a firm operates from a leadership point of view, SMEs can strategically consider whether the founder should stay in charge, or whether hiring a professional CEO will be a better choice for a leader. This kind of CEO succession planning is possible if there is enough compelling evidence that there are significant differences between founder and non-founder CEOs, and if these differences can be translated into profiles, or descriptions, that make sense in the business world. These profiles are discussed below.

While the findings of this study are not conclusive, some generalizations could be made on the effects founding status in a CEO's leadership efforts. First, founder CEOs tend to associate more with extraversion than non-founder CEOs, which may be a sign of strong social networks, being sociable, and enjoying being around other people. Non-founder CEOs do not test particularly low on this personality trait either (as evidenced in Table 2,

where non-founders' scores in "extraverted, enthusiastic" and "reserved and quiet" are both above medium on the Likert scale, when "reserved, quiet" is reverse-coded), but the correlation of founding status and extraversion is still in founders' favor. This could indicate that a founder CEO is more extraverted and outgoing than a non-founder, but also that they might seek out attention more often. For a growing SME, this CEO personality trait might be an important asset in networking and gaining new business, but potentially a threat in developing a legitimate and professional reputation.

Another key managerial consideration based on the findings on personality is non-founder CEOs' apparent tendency to be more emotionally stable than founder CEOs. This correlation could signify a difference in how CEOs deal with stress or worry about their work. Indeed, founder CEOs report to being more anxious and less calm than non-founder CEOs (Tables 2 and 3), which may be a detrimental leadership factor for a company wanting to grow and develop sustained and successful operations. In this case, CEO succession planning for times of hardship and severe stress for a SME could be considered.

In terms of behavioral orientation, there is not a big difference between founder and non-founder CEOs, so no definite managerial conclusions can be drawn. Both CEO types report to being high in people and task-orientation, and the differences in placement on the Blake and Mouton managerial grid are minimal on the larger scale of different leadership types. Whether a CEO is the founder of their company or hired internally or externally, all CEOs seem to report themselves as team leaders, which is not a surprising result from modern leaders. This relatively uniform finding is mostly a reassuring factor that all CEOs (within the scope of this study), whether founders or non-founders, consider themselves and their behavior to be suitable for both task and people-oriented activities.



## **6. CONCLUSION**

### **6.1. Main Findings and Limitations**

The main findings of this thesis conclude that a chief executive officer's founding status, whether they are the founder of their company or a hired non-founder CEO, has a connection to both CEOs' personality and their behavioral orientation as leaders. The research conducted in this thesis proves that using founding status as the independent variable, CEOs' characteristics can be studied to distinguish some statistically significant differences between founder and non-founder CEOs. CEOs can thus be assigned certain leader profiles based on their founding status, using personality and behavioral descriptions that support their computed Big Five and behavioral orientation scores.

This thesis finds that two Big Five personality traits are moderately correlated with a CEO's founding status. First, extraversion correlates with founding status in a way, which makes founder CEOs more likely to report being extraverted personalities. Second, emotional stability correlated with founding status in the opposite direction, making non-founder CEOs more likely to report emotional stability in a self-administered questionnaire. These two connections between personality traits and CEO founding status are meaningful enough to merit future inquiry into the topic.

In addition to a correlation effect with some personality traits, founding status is found to affect CEOs' placement on the Blake and Mouton managerial grid. Differences between CEOs in this behavioral category are marginal, but noticeable. While both founder and non-founder CEOs report to having high people and task-orientation, founder CEOs consider themselves valuing both of these orientations to a slightly stronger degree. According to the Blake and Mouton grid, both CEO types are distinctly team leaders by their behavioral leadership style, which reduces the importance of the effect that founding status has on behavior in this particular study.

Although this thesis has been able to offer proof that founding status can have a meaningful effect on the results of CEO studies, there are some limitations which should

be considered to refrain from generalizing the results or other findings of this study. Namely, there are shortcomings related to sampling, methodology and data analysis.

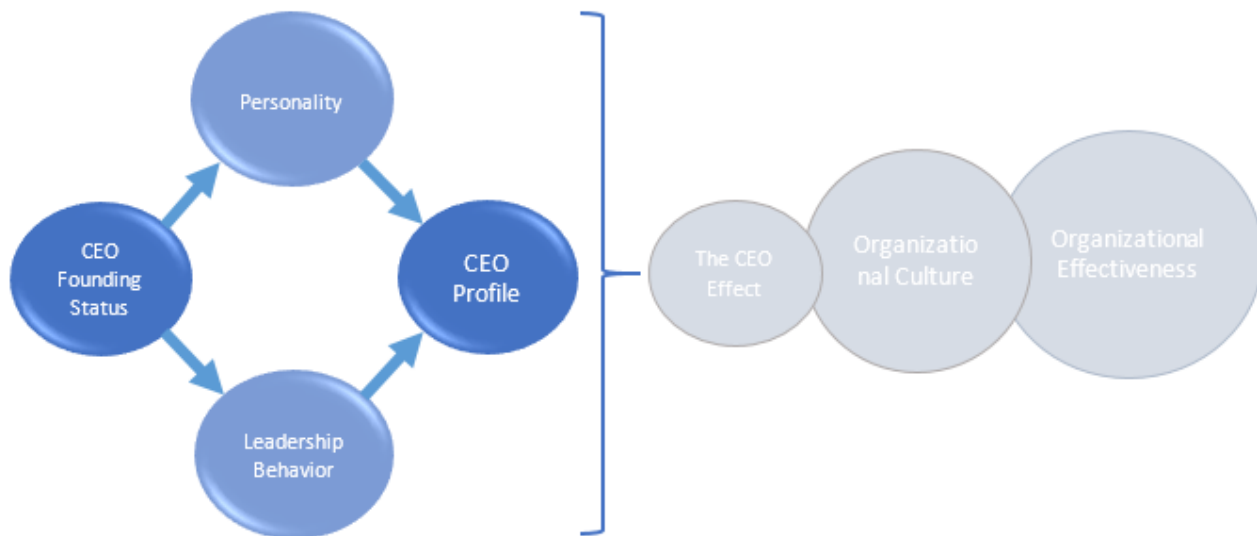
First, the sample of this research is not large enough to make conclusive claims about the effects of founding status. With only 32 admissible recorded answers, the findings can be considered somewhat reliable, although a larger scale study should be conducted to test whether the findings hold when tested on hundreds or thousands of CEOs. Additionally, the sample of this study is limited in nationality, and there is little to no focus on specific industries or area of expertise. Currently, the findings pertain to Finnish CEOs working in SMEs, mostly in the capitol region of Finland.

While the quantitative survey tool, an online administered questionnaire on self-reported personality and behavioral traits, is suitable for this research, there are some limitations to the choice of methodology otherwise. Although the Ten-Item Personality Inventory and Blake and Mouton managerial grid offer simple frameworks for testing personality and behavioral orientation, these questionnaires are not undisputedly reliable. Thus, other frameworks could be used to test whether the effects of founding status in self-reported personality and leadership behavior change significantly.

Finally, the data analysis of this research remains limited to the three key variables, founding status, personality traits and behavioral orientation. This limitation does not weaken the findings of the research, although a more thorough analysis could strengthen them. More specifically, no analysis in this thesis is done on the varying effects of human capital factors (for example, age, gender, tenure, education) of the sample. It is possible that the findings of this research change when taking area of expertise or gender into consideration, and thus more detailed results could be recorded with a wider scope of confirmed variables.

Ultimately, the findings of this thesis indicate that the CEO effect could be different between founders and non-founders. However, due to the scope and limitations of this research, the previous framework (Figure 1 in section 2.6) based on a literature review

cannot be fully operationalized. Instead, a modified framework, which focuses on the existing variables and findings, is presented here.



**Figure 2** Conceptual Framework on the Effect of CEO Founding Status on CEO Characteristics (Niironen, 2018)

This framework shows how CEO founding status can affect how personality and leadership behavior can be used as defining characteristics for a CEO profile. This kind of analysis does not consider the CEO effect on the organization as a whole, or how CEO founding status or its derived CEO profile may impact organizational culture or effectiveness. With further inquiry into the topic, however, CEO founding status could eventually be viewed as one of the starting points of how CEOs affect and operate in their organizations, and whether these efforts are successful ones in terms of firm performance.

## 6.2. Implications for International Business

Although the research conducted in this thesis depicts only Finnish CEOs, the implications of this thesis can be transferred to a more international business audience. The interest in leadership and executives' characteristics in SMEs is not confined to only the Finnish business market. On the contrary, the large quantity of SMEs around the world face the same basic leadership issues and characteristics as a Finnish SME or a Finnish CEO.

Indeed, previous CEO studies conducted elsewhere have established similar, and more convincing, connections between founding status and other CEO characteristics, and thus the findings of this thesis may be somewhat generalizable internationally, as well.

Alternatively, and possibly more realistically, the results of this thesis could be used to further test the effect of founding status across cultures. Leadership and entrepreneurship are important elements of the business world at large, and thus any inquiry into how leaders operate can provide useful and novel information on the intricacies of leadership in business. As the business world is also becoming an ever-increasingly global one, taking cultural differences into account in leadership has also become an intriguing field of study. Doing cross-national research is also an important endeavor academically, as many leadership theories used and taught in the modern business world have been formed and tested originally in the United States, or in other English-speaking nations. Thus, this thesis provides a valuable non-American perspective into globally used leadership theories.

### **6.3. Suggestions for Further Research**

Based on the findings, limitations, and international implications of this thesis, multiple suggestions for future research can be proposed. As this research is limited to Finnish CEOs, similar studies could be conducted with a larger and more varied sample. This kind of further inquiry will help assess how generalizable the effects of founding status on CEO characteristics are across the field of CEO studies, and across different nationalities.

A larger and more diverse sample will also bring in potentially significant elements to the current study of founding status, namely how nationality, industry, educational background, age, or gender may correlate and help explain for certain results. More focused studies into different industries and firm life cycle stages could also provide interesting information on how the effects founding status potentially change from one case to another.

Similar studies could also be conducted using different personality and behavioral frameworks to test for any methodological variance or errors. Qualitative research is also a reasonable option, as it would provide psychologically more precise observations about CEOs, although the sampling and data collection stages of research would be time-consuming. A combination and qualitative and quantitative research methods could also offer meaningful insights into the extent that founding status is connected to CEO characteristics.

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## APPENDICES

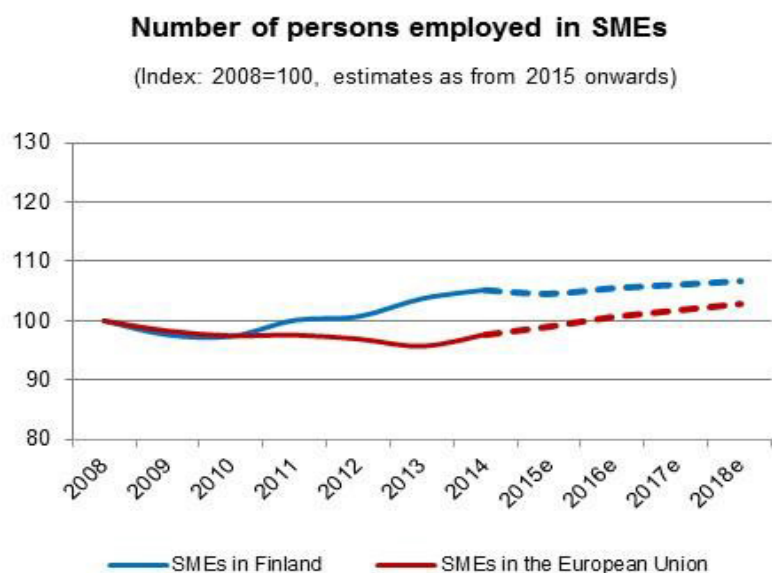
### Appendix 1: Definitions of SMEs

Company Category	Employees	Turnover	Balance sheet total
Micro	< 10	< €2 million	< €2 million
Small	< 50	< €10 million	< €10 million
Medium - sized	<250	< €50 million	< €43 million

Source: Commission Recommendation of 6 May 2003 concerning the definition of micro, small, and medium-sized enterprises. (2003/361/EC), Official Journal of the European Union, L 124/36, 20 May 2003

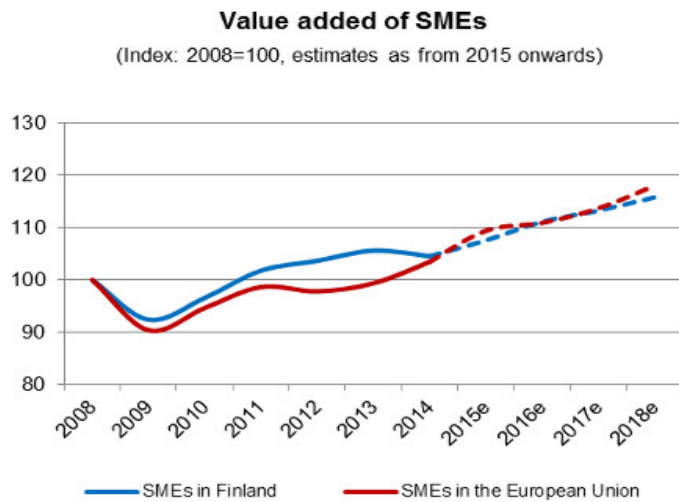
Retrieved from: European Commission (n.d.) What is an SME? Brussels: European Commission. Available from: [http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition\\_en](http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en)

### Appendix 2: Number of persons employed in SMES



Source: European Commission (2017) SME Performance Review. Brussels: European Commission. Available from: [https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review-2016\\_en#annual-report](https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review-2016_en#annual-report)

## Appendix 3: Value added of SMEs



Source: European Commission (2017) SME Performance Review. Brussels: European Commission. Available from: [https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review-2016\\_en#annual-report](https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review-2016_en#annual-report)

## Appendix 4: Questionnaire Design: Survey on Executives' Characteristics

### Survey on Executives' Characteristics

1. I am the founder or co-founder of my current workplace.
2. I am the CEO of my current workplace.
3. I have been the CEO of my current workplace for \_\_\_\_ years.
4. I am a C-suite executive in my current workplace (for example, Chief Financial Officer, Chief Operations Officer).
5. Before my current position in my company, I worked in the same company in another position.
6. I have been the CEO of another company before my current position.
7. Overall, I have been in one or more CEO positions for \_\_\_\_ years.

8. I see myself as...

	<b>Disagree strongly</b>	<b>Disagree moderately</b>	<b>Disagree a little</b>	<b>Neither agree nor disagree</b>	<b>Agree a little</b>	<b>Agree moderately</b>	<b>Agree strongly</b>
Extraverted, enthusiastic.							
Critical, quarrelsome.							
Dependable, self-disciplined.							
Anxious, easily upset.							
Open to new experiences, complex.							
Reserved, quiet.							
Sympathetic, warm.							
Disorganized, careless.							
Calm, emotionally stable.							
Conventional, uncreative.							

9. I think that....

	<b>Never</b>	<b>Very rarely</b>	<b>Rarely</b>	<b>Occasionally</b>	<b>Very frequently</b>	<b>Always</b>
1. I encourage my team to participate when it comes decision-making time and I try to implement their ideas and suggestions.						
2. Nothing is more important than accomplishing a goal or task.						
3. I closely monitor the schedule to ensure a task or project will be completed in time.						
4. I enjoy coaching people on new tasks and procedures.						

5. The more challenging a task is, the more I enjoy it.						
6. I encourage my employees to be creative about their job.						
7. When seeing a complex task through to completion, I ensure that every detail is accounted for.						
8. I find it easy to carry out several complicated tasks at the same time.						
9. I enjoy reading articles, books, and journals about training, leadership, and psychology; and then putting what I have read into action.						
10. When correcting mistakes, I do not worry about jeopardizing relationships.						
11. I manage my time very efficiently.						
12. I enjoy explaining the intricacies and details of a complex task or project to my employees.						
13. Breaking large projects into small manageable tasks is second nature to me.						
14. Nothing is more important than building a great team.						
15. I enjoy analyzing problems.						
16. I honor other people's boundaries.						
17. Counseling my employees to improve their performance or behavior is second nature to me.						
18. I enjoy reading articles, books, and trade journals about my profession; and then implementing the new procedures I have learned.						

10. The number of employees currently employed by my company/organization:
11. The year in which my company/organization was founded:
12. My company/organization is headquartered in:
13. Last year, the approximate annual revenue (€) for my company/organization was (optional):
14. The industry in which I currently work:

15. Gender:

16. Age in years:

17. Highest degree:

18. Nationality

## Appendix 5: Data Analysis on Personality Traits

Respondent number	Respondent Founding Status, 1=founder, 2=non-founder	1.Extraverted, stic.	2.Critical, quarrels some.	3.Dependable, self-disciplined.	4.Anxious, easily upset.	5.to new experiences, complex.	6.Reserved, quiet.	7.Sympathetic, warm.	8.Disorganized, careless.	9.Calm, emotionally stable.	10.Convictional, uncreative.
1	1	7	3	6	6	7	7	6	6	5	7
2	2	5	3	6	3	6	3	7	3	7	5
3	2	7	7	7	7	6	7	6	6	7	6
4	1	7	6	7	5	6	7	7	6	6	7
5	1	6	5	6	7	7	7	7	7	6	6
6	1	6	6	6	6	7	7	2	7	5	7
7	1	5	3	7	7	6	6	4	7	7	5
8	2	7	2	6	7	6	7	6	7	3	7
9	2	6	3	6	6	7	5	6	6	6	7
10	2	3	3	6	6	5	3	5	7	6	2
11	2	5	6	6	7	6	6	5	3	7	6
12	2	6	3	6	5	7	7	5	6	6	7
13	1	6	4	5	6	6	7	4	3	2	6
14	2	7	3	7	5	6	7	7	4	7	7
15	1	6	2	5	7	7	6	6	4	7	7
16	1	6	7	3	4	2	4	7	2	6	7
17	2	7	5	7	6	7	7	5	7	5	7
18	2	2	3	6	6	6	3	6	6	7	7
19	2	3	6	6	7	6	3	7	3	7	6
20	2	3	7	6	7	5	2	7	7	7	4
21	1	7	5	7	2	1	7	6	3	3	7
22	1	5	5	6	3	6	5	6	7	7	6
23	1	5	5	5	5	6	5	6	5	5	6
24	1	7	6	2	7	7	7	7	7	7	7
25	1	7	7	7	7	6	6	5	7	7	7
26	1	6	3	5	6	6	7	5	3	3	7
27	1	6	4	6	4	5	6	6	7	3	6
28	2	3	5	7	6	5	3	3	7	7	6
29	2	6	3	1	6	6	6	6	6	3	6
30	2	5	7	6	7	5	6	6	5	6	6
31	2	6	7	5	4	6	6	6	5	4	6
32	1	5	3	6	3	6	5	5	5	5	5

### The 7-point Likert Scale and its Reverse Codes (in red)

1 = Disagree strongly	7
2 = Disagree moderately	6
3 = Disagree a little	5
4 = Neither agree nor disagree	4
5 = Agree a little	3
6 = Agree moderately	2
7 = Agree strongly	1

## Appendix 6: Data Analysis on Leadership Behavior

Respondent number	Respondent Founding Status, 1=founder, 2=non-founder	Average score for People Orientation	Average Score for Task Orientation	1. I encourage my team to participate when it comes decision-making time and I try to implement their ideas and suggestions.	2. Nothing is more important than accomplishing a goal or task.	3. I closely monitor a task or project will be completed in time.	4. I enjoy coaching people on new tasks and procedures.	5. The more challenging a task is, the more I enjoy it.	6. I encourage my employees to be creative about their job.	7. When seeing a complex task through to completion, I ensure that every detail is accounted for.	8. I find it easy to carry out several complicated tasks at the same time.	9. I enjoy reading articles, books, and journals about training, leadership, and psychology; and then putting what I have read into action.	10. When correcting mistakes, I do not worry about jeopardizing relationships.	11. I manage my time very efficiently.	12. I explain the intricacies and details of a complex task or project to my employees.	13. Breaking large projects into small manageable tasks is second nature to me.	14. Nothing is more important than building a great team.	15. I enjoy analyzing problems.	16. I honor other people's boundaries.	17. Counseling my employees to improve their performance or behavior is second nature to me.	18. I enjoy reading articles, books, and trade journals about my profession; and then implementing the new procedures I have learned.
1	1	8.8	8.2	5	4	5	5	5	6	5	6	5	2	3	5	4	6	4	5	5	5
2	2	7.8	6.8	5	2	4	3	4	5	3	4	5	2	3	4	4	5	5	6	4	5
3	2	8.4	8	5	5	4	6	6	6	4	2	4	1	5	4	4	5	5	5	6	5
4	1	8.2	8.2	5	4	5	4	4	5	4	4	5	4	5	4	4	5	5	4	5	6
5	1	8	8.6	5	5	6	5	6	5	6	4	1	4	5	4	4	6	5	5	5	2
6	1	8	8	5	5	6	5	4	6	6	1	5	4	5	5	5	4	4	4	2	4
7	1	9.4	10.2	5	6	6	5	6	6	5	6	6	4	5	5	6	6	6	5	5	5
8	2	7.8	7.8	4	3	3	4	4	5	5	5	4	2	5	5	5	6	5	4	5	4
9	2	8.2	8.6	6	4	4	5	5	4	5	5	3	3	4	5	6	5	5	5	5	5
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11	2	7.4	7.4	5	4	5	4	5	5	3	4	4	3	3	1	4	6	5	5	4	4
12	2	8.4	8.4	5	5	6	6	4	5	4	6	2	5	6	6	5	5	4	3	5	2
13	1	8.6	7.8	5	4	3	3	6	5	6	4	5	3	4	4	4	5	6	5	4	4
14	2	8.2	8	5	4	4	4	5	6	5	5	3	5	4	4	4	5	6	4	5	3
15	1	7.8	8.4	5	4	3	6	6	5	4	5	3	2	4	5	5	4	5	5	4	6
16	1	8.2	7.4	5	4	3	5	5	6	4	4	4	2	2	3	5	6	6	6	4	4
17	2	9.6	10	6	5	6	4	4	6	5	6	6	5	6	5	6	6	6	5	5	6
18	2	8.2	7.4	6	5	4	4	6	5	3	5	6	4	2	1	2	4	6	6	5	4
19	2	8	7.8	5	5	4	4	5	5	4	4	3	4	3	4	5	6	5	5	4	4
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21	1	8.8	9.2	6	5	4	4	6	6	4	6	6	3	5	4	5	6	6	5	4	5
22	1	8.4	8.6	6	6	4	6	5	5	4	6	2	4	5	5	5	5	6	4	5	2
23	1	7.6	7.6	6	5	4	4	5	5	3	3	2	3	4	3	5	5	5	5	5	4
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26	1	7.4	8.2	4	5	4	5	6	5	3	5	3	3	2	4	5	5	5	4	4	6
27	1	7.8	7.8	6	5	5	4	4	5	4	4	3	2	4	3	5	6	4	5	5	4
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31	2	7	5.4	5	2	3	5	4	5	2	3	3	3	2	2	4	6	4	2	4	3
32	1	8.2	8.4	5	5	6	5	4	5	5	5	4	3	5	4	5	6	4	4	5	3

